



Nkandla Municipality  
Annual Financial Statements  
for the year ended 30 June 2013

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## General Information

---

### Councillors

His Worship - The Mayor Cllr AT Ntuli  
Deputy Mayor Cllr TO Ndlela  
Speaker Cllr NFJ Nzuza  
Exco member Cllr SO Sibiya  
Exco member Cllr BZ Mncadi Mpanza  
Exco member Cllr BW Sibiya  
Cllr SA Majola  
Cllr BB Ndima  
Cllr SB Manyathi  
Cllr BV Khanyile  
Cllr BN Buthelezi  
Cllr MBE Ntombela  
Cllr BB Dlomo  
Cllr SM Bhengu  
Cllr NPN Magubane  
Cllr S Buthelezi  
Cllr JB Ntuli  
Cllr L Ntombela  
Cllr SE Mhlongo  
Cllr TT Dlamini  
Cllr NR Xulu  
Cllr FK Magubane  
Cllr HR Ntombela  
Cllr PR Dlamini  
Cllr CM Mthlane  
Cllr SV Lushozi

### Grading of local authority

2

### Chief Finance Officer (CFO)

P Sibiya

### Accounting Officer

SB Mthembu

### Registered office

Private Bag x 161  
Nkandla  
3855

### Business address

Maree Road, Lot 292  
Nkandla  
3855

### Auditors

Auditor General

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Index

---

The reports and statements set out below comprise the annual financial statements presented to the Auditor General:

<b>Index</b>	<b>Page</b>
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Accounting Policies	8 - 13
Notes to the Annual Financial Statements	14 - 30
Appendixes:	
Appendix B: Analysis of Property, Plant and Equipment	31
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	37
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	40

### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Nkandla Municipality**

Annual Financial Statements for the year ended 30 June 2013

## **Accounting Officer's Responsibilities and Approval**

---

The accounting officer is required by the MFMA (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 30, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

---

**SB Mthembu**

**Place of signature**

**30 August 2013**

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Position

Figures in Rand	Note(s)	2013	2012
<b>Assets</b>			
Current Assets			
Inventory	6	104 448	-
Trade and other receivables	7	9 013 693	6 657 251
VAT receivable	8	3 378 384	3 075 794
Cash and cash equivalents	9	47 069 269	45 852 783
		<b>59 565 794</b>	<b>55 585 828</b>
Non-Current Assets			
Investment property	2	38 000	38 000
Property, plant and equipment	3	249 777 951	210 930 561
Intangible assets	4	459 359	565 657
		<b>250 275 310</b>	<b>211 534 218</b>
<b>Total Assets</b>		<b>309 841 104</b>	<b>267 120 046</b>
<b>Liabilities</b>			
Current Liabilities			
Trade and other payables	12	8 416 462	3 923 078
Retirement benefit obligation	5	5 011 758	5 011 758
Unspent conditional grants and receipts	10	33 109 477	31 919 421
Provisions	11	2 628 484	1 218 226
		<b>49 166 181</b>	<b>42 072 483</b>
Non-Current Liabilities			
Provision for rehabilitation of landfill site	11	3 927 907	3 927 907
<b>Total Liabilities</b>		<b>53 094 088</b>	<b>46 000 390</b>
<b>Net Assets</b>		<b>256 747 016</b>	<b>221 119 656</b>
<b>Net Assets</b>			
Accumulated surplus		256 747 016	221 119 656

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
<b>Revenue</b>			
Property rates	14	1 667 159	1 493 944
Sale of electricity	15	6 591 434	2 568 878
Rental of facilities and equipment		1 178 837	576 797
Interest on rates		380 124	29 118
Interest on refuse		269 400	6 241
Interest on electricity		651 922	31 327
Licences and permits		10 611	17 868
Government grants & subsidies	16	89 028 206	80 746 697
Refuse removal		601 363	378 042
Connection fee		75 020	22 000
Reconnection fee		6 384	-
Tampering fees		54 874	-
Commission received		-	13 591
Refunds		37 086	123 248
Tender monies		91 071	78 681
Donations received		5 000	-
Burial fees		875	1 967
Library fees		4 959	9 090
Lindela Thusong		16 500	16 500
Hall hire		60 013	36 666
Wood sales		632	1 408
Sportfield		-	9 373
Penalties on refuse		-	20 044
TLB Hire		-	7 623
Interest received	22	1 587 603	1 605 717
Gains on disposal of assets	22	235 070	39 945
<b>Total Revenue</b>		<b>102 554 143</b>	<b>87 834 765</b>
<b>Expenditure</b>			
Employee costs	19	(15 803 629)	(11 553 847)
Remuneration of councillors	20	(5 639 495)	(4 872 125)
Depreciation and amortisation	23	(4 313 635)	(4 177 662)
Finance costs	24	-	(222 334)
Bad debts	21	(2 283 146)	(1 299 002)
Repairs and maintenance		(2 737 917)	(498 723)
Operating lease	27	(1 333 850)	(966 225)
Grants and subsidies paid		(3 415 108)	(8 413 081)
General Expenses	18	(33 804 882)	(28 495 814)
<b>Total Expenditure</b>		<b>(69 331 662)</b>	<b>(60 498 813)</b>
<b>Surplus for the year</b>		<b>33 222 481</b>	<b>27 335 952</b>

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2011</b>	<b>195 855 496</b>	<b>195 855 496</b>
Changes in net assets		
Correction of prior period error	(2 071 792)	(2 071 792)
Net income (losses) recognised directly in net assets	(2 071 792)	(2 071 792)
Surplus for the year	27 335 952	27 335 952
Total recognised income and expenses for the year	25 264 160	25 264 160
Total changes	25 264 160	25 264 160
<b>Balance at 01 July 2012</b>	<b>221 119 655</b>	<b>221 119 655</b>
Changes in net assets		
Correction of prior period error	2 404 880	2 404 880
Net income (losses) recognised directly in net assets	2 404 880	2 404 880
Surplus for the year	33 222 481	33 222 481
Total recognised income and expenses for the year	35 627 361	35 627 361
Total changes	35 627 361	35 627 361
<b>Balance at 30 June 2013</b>	<b>256 747 016</b>	<b>256 747 016</b>
Note(s)		

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		94 779 825	97 900 530
Interest income		1 587 603	1 672 403
		96 367 428	99 572 933
<b>Payments</b>			
Suppliers		(53 369 251)	(55 594 213)
Finance costs		-	(222 334)
		(53 369 251)	(55 816 547)
<b>Net cash flows from operating activities</b>	28	<b>42 998 177</b>	<b>43 756 386</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(41 741 977)	(36 753 553)
Purchase of other intangible assets	4	(39 714)	(396 922)
Proceeds from disposal of property, plant and equipment		-	(76 984)
<b>Net cash flows from investing activities</b>		<b>(41 781 691)</b>	<b>(37 227 459)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1 216 486</b>	<b>6 528 927</b>
Cash and cash equivalents at the beginning of the year		45 852 783	39 323 856
<b>Cash and cash equivalents at the end of the year</b>	9	<b>47 069 269</b>	<b>45 852 783</b>



# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Investment property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion. The residual value and useful value of the assets were reviewed at the end of the financial year end.

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Land is not depreciated.

The useful life of buildings is 7 years

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the assets) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	
• Roads and paving	30
• Pedestrian malls	30
• Electricity	20 - 80
Community	
• Buildings	30
• Recreational facilities	20 - 30
• Security	5
Other	
• Buildings	30
• Other vehicles	5
• Office equipment	3 - 7
• Furniture and fittings	7 - 10
• Bins and containers	5
• Other items of plant and equipment	2 - 5
• Landfill sites	15

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.2 Property, plant and equipment (continued)

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's) given up.

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.4 Financial instruments

#### Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at a fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### Cash and cash equivalents

Cash includes cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

### 1.5 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land)

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.6 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

### 1.7 Revenue from non-exchange transactions

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summons is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality, a liability is recognised.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

### Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### 1.8 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Accounting Policies

---

### 1.9 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.10 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.11 Investments

Investments, which include listed, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 2. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	38 000	-	38 000	38 000	-	38 000

#### Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	38 000	38 000

#### Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	38 000	38 000

#### Details of valuation

### 3. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	104 005 940	-	104 005 940	104 005 940	-	104 005 940
Buildings	4 627 581	(1 277 938)	3 349 643	4 627 581	(1 124 358)	3 503 223
Plant and machinery	1 828 009	(1 238 032)	589 977	1 828 009	(1 333 375)	494 634
Furniture and fixtures	2 047 265	(1 047 434)	999 831	1 366 596	(1 124 194)	242 402
Motor vehicles	924 899	(343 597)	581 302	623 432	(468 993)	154 439
Computer equipment	2 237 531	(1 554 992)	682 539	2 014 627	(1 792 788)	221 839
Infrastructure	85 719 191	(11 920 275)	73 798 916	85 651 796	(8 754 582)	76 897 214
Landfill site	2 892 562	(756 517)	2 136 045	2 892 562	(578 513)	2 314 049
Work in progress	63 633 758	-	63 633 758	23 096 821	-	23 096 821
<b>Total</b>	<b>267 916 736</b>	<b>(18 138 785)</b>	<b>249 777 951</b>	<b>226 107 364</b>	<b>(15 176 803)</b>	<b>210 930 561</b>

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Prior period error	Accounting change in estimate	Depreciation	Total
Land	104 005 940	-	-	-	-	104 005 940
Buildings	3 503 223	-	-	-	(153 580)	3 349 643
Plant and machinery	494 634	-	-	246 435	(151 092)	589 977
Furniture and fixtures	242 402	680 669	-	283 962	(207 202)	999 831
Motor vehicles	154 439	301 467	-	243 533	(118 137)	581 302
Computer equipment	221 839	222 904	-	570 918	(333 122)	682 539
Infrastructure	76 897 214	-	67 095	-	(3 165 393)	73 798 916
Landfill site	2 314 049	-	-	-	(178 004)	2 136 045
Work in progress	23 096 821	40 536 937	-	-	-	63 633 758
	<b>210 930 561</b>	<b>41 741 977</b>	<b>67 095</b>	<b>1 344 848</b>	<b>(4 306 530)</b>	<b>249 777 951</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Write Down/Reclassification	Depreciation	Total
Land	104 005 940	-	-	-	-	104 005 940
Buildings	6 757 520	-	-	(3 100 000)	(154 297)	3 503 223
Plant and machinery	494 634	-	-	-	-	494 634
Furniture and fixtures	361 853	-	(11 816)	-	(107 635)	242 402
Motor vehicles	230 355	-	(695 601)	-	619 685	154 439
Computer equipment	216 700	121 885	-	-	(116 746)	221 839
Infrastructure	61 236 510	22 190 955	-	(2 498 765)	(4 031 486)	76 897 214
Landfill site	2 507 415	-	-	-	(193 366)	2 314 049
Other property, plant and equipment	645 655	-	-	(2 000)	(149 021)	494 634
Work in progress	8 656 108	14 440 713	-	-	-	23 096 821
	<b>185 112 690</b>	<b>36 753 553</b>	<b>(707 417)</b>	<b>(5 600 765)</b>	<b>(4 132 866)</b>	<b>211 425 195</b>

#### Reconciliation of Work-in-Progress 2012

### 4. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	754 691	(295 332)	459 359	714 975	(149 318)	565 657

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	565 657	39 714	(146 012)	459 359



# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 4. Intangible assets (continued)

#### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	219 263	396 922	(50 528)	565 657

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 5. Employee benefit obligations

#### Defined benefit plan

All Councillors and Employees belong to the following funds within the Natal Joint Municipal Pension fund which provides retirement benefits to such employees.

The retirement plan is subject to the Pension Funds Act, 1956.

In accordance with the regulations governing the Fund and in compliance with Section 16 of the Pension Funds Act, 1956 (Act No. 24 of 196) the financial position of the Fund is examined and reported upon but the Valuator at intervals not exceeding three years.

In practice the Valuator conducts a statutory valuation on a triennial basis and an interim on an annual basis.

Interim Valuations of the Fund as at 31 March 2006 and Report on the Operations of the Memorandum Account for the Year Ended 31 March 2006.

In respect of Service to 31 March 2006 the actuarial value of the total assets was R121,7 million more than the actuarial value of the liabilities for the service of members to that date and for pensioners, made up as follows:

- surplus of R210,0 million in respect of pensioners (funding level 119,4%)
- deficit of R88,3 million in respect of members (funding level 95,0%) of which deficit
- about R49,0 million was attributable to salary increases being higher than expected (the average salary increased by 9,7% over the three years which is substantially in excess of inflation).

The Fund was thus 104,3% funded. The Fund did not hold an investment reserve.

Statutory Valuations of the Fund as at 31 March 2006 and Report on the Operations of the Memorandum Account for the Year Ended 31 March 2006.

In respect of Service to 31 March 2006 the actuarial value of the total assets was R140,9 million less than the actuarial value of the liabilities for the service of members to that date and for pensioners, made up as follows:

- surplus of R63,4 million in respect of pensioners (funding level 116,2%)
- deficit of R204,3 million in respect of members (funding level 73,0%) attributed to salary increases being higher than expected (the average salary increased by 11,1% over the three year period which is substantially in excess of inflation).

#### Retirement benefit obligation

Statement of Financial Position obligation for :

Post-employment medical benefits	5 011 758	5 011 758
Pension benefits	-	-
Balance at the end of year	5 011 758	5 011 758

#### Post retirement medical aid plan

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 5. Employee benefit obligations (continued)

The municipality operates on 6 accredited medical aid schemes, namely Key health, Discovery, Hosemed. Bonital , Samwumed and LA Health. Pensioners continue on the option they belonged to on the day on their retirement.

Movement in the defined benefit obligation is as follows :

Balance at the beginning of the year	5 011 758	-
Current service cost		5 011 758
Interest costs	-	-
Actuarial (gains) losses	-	-
Benefit payments	-	-
Balance at end of year	5 011 758	5 011 758

Key assumptions used

The principal actuarial assumptions used will be as follows

Discount rates used	0	0
General increase to medical aid contributions	0	0
Salary Inflation	0	0
Expected retirement age Male	63	63
Expected retirement age Female	60	60
Proportion continuing membership at retirement	1	1
Proportion of retiring members who are married	1	1
Percentage Contribution on Medical Aid	0	0
Future pension medical Inflation	0	0

Other assumption :

Age of spouse - Husbands 5 years older than wives

Mortality of in-service members :	0	0
In accordance with the SA 85 - 90 (Light) ultimate table (rated down 3 years for females)		

Mortality of pensioners :	0	0
In accordance with the PA (90) ultimate male and female tables		

(No explicit assumption was made about additional mortality or health care costs due to AIDS)

Percentage of in-service members withdrawing before retirement :

age 20	1	-
age 25	1	-
age 30	1	-
age 35	0	-
age 40	0	-
age 45	0	-
age 50	0	-
age 55+	0	-
age 60+	-	-
	-	-

### 6. Inventory

General stores	104 448	-
----------------	---------	---

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>7. Trade and other receivables</b>		
Trade debtors	17 196 874	12 889 888
Provision for doubtful debts	(10 031 465)	(7 748 319)
Deposits	9 850	-
Debtors control VAT	1 147 986	814 577
Sundry debtors	690 448	701 105
	<b>9 013 693</b>	<b>6 657 251</b>

### Rates, refuse and electricity

The ageing is as follows:

Current (0 - 30 days)	646 031	1 192 383
31 - 60 days	508 566	252 248
61 - 90 days plus	13 570 352	8 649 968
Less: Provision for doubtful debts	(10 031 465)	(7 748 319)

### 8. VAT receivable

VAT	3 378 384	3 075 794
-----	-----------	-----------

VAT is payable on the receipts basis. VAT is paid over to SARS, only once payment is received from debtors.

### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Petty cash	6	-
Cash at bank	908 065	2 635 425
Call deposits	46 183 413	43 217 358
Other cash and cash equivalents	(22 215)	-
	<b>47 069 269</b>	<b>45 852 783</b>

### The municipality had the following bank accounts

Account number / description	Cash book balances	
	30 June 2013	30 June 2012
ABSA - Primary Bank Account	-	-
ABSA - Call Account	-	-
ABSA - MIG Call Account	-	-
ABSA - Conditional Call Account	-	-
<b>Total</b>	<b>47 091 478</b>	<b>45 852 783</b>

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Electrification Grant	9 763 424	14 576 658
Municipal Infrastructure Grant	14 986 199	6 824 859
EPWP Grant	7 902	-
Sport and Recreation Grant	1 423 794	1 282 104
Qedisimo Grant	2 534 884	2 750 000
Library Grant	198 279	50 171
Cyber Cadet Grant	271 373	188 653
Municipal Systems Improvement Grant	5 631	41 012
Financial Management Grant	432 355	201 224
Small town rehabilitation Grant	2 471 143	5 087 509
E-Learning Grant	167 230	167 231
Facility Grant	750 000	750 000
LG SETA	97 263	-
	<b>33 109 477</b>	<b>31 919 421</b>

#### Movement during the year

Balance at the beginning of the year	31 919 421	29 419 650
Additions during the year	1 190 056	2 499 771
	<b>33 109 477</b>	<b>31 919 421</b>

### 11. Provisions

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Provision for rehabilitation of landfill site	3 927 907	-	3 927 907
Provision for long service	1 218 226	-	1 218 226
Leave pay provision	-	1 410 258	1 410 258
	<b>5 146 133</b>	<b>1 410 258</b>	<b>6 556 391</b>

#### Reconciliation of provisions - 2012

	Opening Balance	Total
Provision for rehabilitation of landfill site	3 927 907	3 927 907
Provision for long service	1 218 226	1 218 226
	<b>5 146 133</b>	<b>5 146 133</b>
Non-current liabilities	3 927 907	3 927 907
Current liabilities	2 628 484	1 218 226
	<b>6 556 391</b>	<b>5 146 133</b>

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>12. Trade and other payables</b>		
Trade payables	3 857 357	(2)
Income received in advance	3 772 168	2 394 834
Other payables	(727 499)	1 090 422
Accruals	419 266	419 266
Deposits received	1 095 170	18 558
	<b>8 416 462</b>	<b>3 923 078</b>

## 13. Revenue

Property rates	1 667 159	1 493 944
Sale of electricity	6 591 434	2 568 878
Rental of facilities & equipment	1 178 837	576 797
Interest on rates	380 124	29 118
Interest on refuse	269 400	6 241
Interest on electricity	651 922	31 327
Licences and permits	10 611	17 868
Government grants & subsidies	89 028 206	80 746 697
Refuse removal	601 363	378 042
	<b>100 379 056</b>	<b>85 848 912</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Sale of electricity	6 591 434	2 568 878
Rental of facilities & equipment	1 178 837	576 797
Interest on rates	380 124	29 118
Interest on refuse fees	269 400	6 241
Interest on electricity	651 922	31 327
Licences and permits	10 611	17 868
	<b>9 082 328</b>	<b>3 230 229</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

<b>Taxation revenue</b>		
Property rates	1 667 159	1 493 944
<b>Transfer revenue</b>		
Grants and subsidies	89 028 206	80 746 697
Refuse removal	601 363	378 042
	<b>91 296 728</b>	<b>82 618 683</b>

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>14. Property rates</b>		
<b>Rates received</b>		
Assessment rates	2 272 562	2 077 953
Less: Rates rebate	(605 403)	(584 009)
	<b>1 667 159</b>	<b>1 493 944</b>

Rates are levied on the following properties as per the valuation roll:

### Valuations

Agriculture	3 291 000	3 291 000
Residential	14 924 500	14 924 500
Business	19 021 000	19 021 000
State owned property	55 684 000	55 684 000
State owned land	207 768 100	207 768 100
Vacant land	748 000	748 000
Place of worship	2 898 000	2 898 000
	<b>304 334 600</b>	<b>304 334 600</b>

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 November 2008.

The new general valuation will be implemented on 01 July 2013.

A fixed rate is applied.

Agriculture	0.026c in the Rand
Business	0.028c in the Rand
Place of worship	0.016 in the Rand
Residential	0.027c in the Rand
State owned land	0.028c in the Rand
State owned property	0.028c in the Rand
Vacant Land	0.031c in the Rand

The following rebate rates are applied:

100% of market value of Ingonyama Trust Land.  
100% of market value of residential properties less than R17 000  
100% of market value of worshipping properties  
First R50 000 on any residential properties  
40% of market value less exemption for owners who are illegible pensioners.

### 15. Service charges

Sale of electricity	6 591 434	2 568 878
---------------------	-----------	-----------

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>16. Government grants and subsidies</b>		
Equitable share	43 237 000	40 191 000
LG SETA	-	68 921
Electrification Grant	24 813 235	6 747 453
Financial Management Grant	1 268 869	1 586 984
Municipal System Improvement Grant	835 380	1 056 542
Cyber Cadet Grant	127 280	94 560
Library Grant	341 892	183 169
Municipal Infrastructure Grant	13 536 660	19 640 741
Small Town Rehabilitation Grant	2 616 366	9 492 537
Sport and Recreation Grant	1 044 310	1 677 286
Qedisimo Projects	215 116	7 504
EPWP Grant	992 098	-
	<b>89 028 206</b>	<b>80 746 697</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

### Electrification Grant

Balance unspent at beginning of year	14 576 658	9 324 112
Current-year receipts	20 000 000	12 000 000
Conditions met - transferred to revenue	(24 813 234)	(6 747 454)
	<b>9 763 424</b>	<b>14 576 658</b>

### Municipal Infrastructure Grant

Balance unspent at beginning of year	6 824 859	8 561 236
Current-year receipts	21 698 000	17 887 000
Conditions met - transferred to revenue	(13 536 660)	(19 623 377)
	<b>14 986 199</b>	<b>6 824 859</b>

### EPWP Grant

Current-year receipts	1 000 000	-
Other	(992 098)	-
	<b>7 902</b>	<b>-</b>

### Sport and Recreation Grant

Balance unspent at beginning of year	1 282 104	137 051
Current-year receipts	1 200 000	2 775 000
Conditions met - transferred to revenue	(1 058 310)	(1 629 947)
	<b>1 423 794</b>	<b>1 282 104</b>

### Qedisimo Projects

Balance unspent at beginning of year	2 750 000	-
Current-year receipts	-	2 750 000
Conditions met - transferred to revenue	(215 116)	-
	<b>2 534 884</b>	<b>2 750 000</b>

### Library Grant



# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>16. Government grants and subsidies (continued)</b>		
Balance unspent at beginning of year	50 171	-
Current-year receipts	490 000	233 340
Conditions met - transferred to revenue	(341 892)	(183 169)
	<b>198 279</b>	<b>50 171</b>
<b>Cyber Cadet Grant</b>		
Balance unspent at beginning of year	188 653	54 213
Current-year receipts	210 000	229 000
Conditions met - transferred to revenue	(127 280)	(94 560)
	<b>271 373</b>	<b>188 653</b>
<b>Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	41 012	307 554
Current-year receipts	800 000	790 000
Conditions met - transferred to revenue	(835 381)	(1 056 542)
	<b>5 631</b>	<b>41 012</b>
<b>Financial Management Grant</b>		
Balance unspent at beginning of year	201 224	288 208
Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue	(1 268 869)	(1 586 984)
	<b>432 355</b>	<b>201 224</b>
<b>Small Town Rehabilitation Grant</b>		
Balance unspent at beginning of year	5 087 509	10 580 046
Current-year receipts	-	4 000 000
Conditions met - transferred to revenue	(2 616 366)	(9 492 537)
	<b>2 471 143</b>	<b>5 087 509</b>
<b>E- Learning Grant</b>		
Balance unspent at beginning of year	167 231	167 230
Current-year receipts	-	1
Conditions met - transferred to revenue	(1)	-
	<b>167 230</b>	<b>167 231</b>
<b>Facility Grant</b>		
Balance unspent at beginning of year	750 000	-
Current-year receipts	-	750 000
	<b>750 000</b>	<b>750 000</b>
<b>LG SETA</b>		
Current-year receipts	97 263	-

## Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

### Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>17. Other income</b>		
Connection fee	75 020	22 000
Reconnection fees	6 384	-
Tampering fees	54 874	-
Commission received	-	13 591
Refunds	37 086	123 248
Tender monies	91 071	78 681
Donations received	5 000	-
Burial fees	875	1 967
Library fees	4 959	9 090
Lindela Thusong	16 500	16 500
Hall hire	60 013	36 666
Wood sales	632	1 408
Sportfield	-	9 373
Penalties on refuse	-	20 044
TLB hire	-	7 623
	<b>352 414</b>	<b>340 191</b>

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>18. General expenses</b>		
Advertising	897 243	246 952
Auditors remuneration	1 303 878	1 333 123
Bank charges	51 124	36 941
Bursaries	139 540	62 690
Cleaning	207 278	138 391
Community development and training	3 997 989	3 967 737
Consulting and professional fees	4 995 736	3 718 222
Consumables	778 088	39 930
Electricity	8 030 526	6 080 358
Entertainment	136 291	43 185
Free basic energy	449 086	279 122
Fuel and oil	314 406	472 084
Post retirement benefit	-	5 011 758
Hall hire	24 451	-
Housing plan	(2 938)	(966)
IT Shared services	399 552	172 746
IT expenses	404 087	299 115
Insurance	181 085	214 790
Hire of equipment	141 347	214 120
Library and information services	316 374	138 425
Motor vehicle expenses	23 520	44 239
Other expenses	525 868	277 346
Postage and courier	1 178	-
Printing and stationery	535 647	292 580
Publicity	445 195	222 168
Refuse	121 954	34 809
Security (Guarding of municipal property)	1 967 358	1 362 630
Software expenses	211 768	118 511
Spatial planning	24 116	2 676
Staff welfare	138 047	462 066
Subscriptions and membership fees	423 250	143 227
Telephone and fax	752 866	816 581
Training	1 150 947	643 028
Transport and freight	914 250	-
Travel - local	1 067 089	858 549
Uniforms	76 730	100 961
VAT recovered	2 646 031	330 980
Water	13 925	316 740
	<b>33 804 882</b>	<b>28 495 814</b>

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>19. Employee related costs</b>		
Basic	10 076 590	8 674 775
Bonus	658 698	556 803
Medical aid - company contributions	575 179	520 825
UIF	81 481	68 820
Leave pay provision charge	1 410 258	-
Post-employment benefits - Pension - Defined contribution plan	1 345 217	970 865
Travel, motor car, accommodation, subsistence and other allowances	1 153 952	537 951
Overtime payments	187 608	80 141
Long-service awards	-	81 687
Housing benefits and allowances	173 327	61 980
Group life insurance	141 319	-
	<b>15 803 629</b>	<b>11 553 847</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	558 192	432 634
Travel Allowance	298 327	288 422
Leave Pay	166 495	-
Unpaid Leave	(21 255)	-
	<b>1 001 759</b>	<b>721 056</b>
<b>Remuneration of chief finance officer</b>		
Annual Remuneration	164 473	354 665
Travel Allowance	70 489	99 000
Acting Allowance	22 290	-
Unpaid Leave	(28 195)	-
Backpay	-	150 026
GTZ Consulting Fee	-	799 556
	<b>229 057</b>	<b>1 403 247</b>
<b>Remuneration of director of corporate services</b>		
Annual Remuneration	459 480	41 536
Travel Allowance	87 104	10 200
Performance Bonus	45 139	-
Housing Allowance	82 705	-
Leave Pay and Back Pay	-	38 995
	<b>674 428</b>	<b>90 731</b>
<b>Remuneration of director of community services</b>		
Annual Remuneration	378 424	-
Travel Allowance	193 542	-
	<b>571 966</b>	<b>-</b>
<b>Remuneration of director of technical services</b>		
Annual Remuneration	132 307	408 139
Travel Allowance	56 391	137 500
Performance Bonuses	18 074	-
Unpaid Leave	(11 278)	-
Acting Allowance	-	2 781
Leave Pay and Back Pay	-	125 718

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>19. Employee related costs (continued)</b>	<b>195 494</b>	<b>674 138</b>
<b>20. Remuneration of councillors</b>		
Mayor's allowance	329 213	316 735
Deputy Mayor	265 962	253 210
Speaker	265 962	253 210
Executive Committee	748 020	711 989
Councillors	3 626 762	3 336 980
MPAC Chairperson	232 717	-
	<b>5 468 636</b>	<b>4 872 124</b>
<b>21. Bad debts</b>		
Contributions to doubtful debt provision	2 283 146	1 299 002
<b>22. Interest income</b>		
Interest on bank account	132 978	29 118
Interest on investments	1 454 625	1 576 599
	<b>1 587 603</b>	<b>1 605 717</b>
<b>23. Depreciation and amortisation</b>		
Property, plant and equipment	4 313 635	4 177 662
<b>24. Finance costs</b>		
Bank	-	222 334
<b>25. Auditors' remuneration</b>		
Fees	1 303 878	1 333 123
<b>26. Rental of facilities and equipment</b>		
Rental of facilities and equipment	1 178 837	576 797
<b>27. Contracted services</b>		
Fleet Services	1 333 850	966 225

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
<b>28. Cash generated from operations</b>		
Surplus	33 222 481	27 335 952
<b>Adjustments for:</b>		
Depreciation and amortisation	4 306 508	4 177 662
Loss on sale of assets and liabilities	(235 070)	(39 945)
Bad debts	2 283 146	1 299 002
Movements in retirement benefit assets and liabilities	-	5 011 758
Movements in provisions	1 410 258	631 888
Other non-cash items	1 374 042	3 016 319
<b>Changes in working capital:</b>		
Inventory	(104 448)	-
Trade and other receivables	(2 356 442)	2 528 019
Consumer debtors	(2 283 146)	-
Trade and other payables	4 493 382	(365 842)
VAT	(302 590)	(2 338 197)
Unspent conditional grants and receipts	1 190 056	2 499 770
	<b>42 998 177</b>	<b>43 756 386</b>
<b>29. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Approved and contracted for</b>		
• Commitments in respect of capital expenditure	5 097 824	37 702 081
<b>Approved but not yet contracted for</b>		
• Commitments in respect of capital expenditure	24 222 769	-
• Default as yet to be contracted for	1 177 912	-
	<b>25 400 681</b>	<b>-</b>

This committed expenditure will be financed by the National Grant

# Nkandla Municipality

Annual Financial Statements for the year ended 30 June 2013

## Notes to the Annual Financial Statements

Figures in Rand	2013	2012
-----------------	------	------

### 30. Contingencies

The municipality terminated the award of the tender development of a Shopping Centre. The reason for termination was the non-compliance with the provisions of section 14 (2) of the MFMA. The termination was based on our legal advice. There has been no claim yet except letters from the aggrieved party. The potential claim amount is R2 400 000.00

Civil proceedings have been instituted against the municipality for the loss of the electrical equipment at a resident's house, which she believes was caused by the malfunction of the electricity supply to her house. The matter is defended by the municipality. It is believed that there could other potential claims if this one is settled. The municipality was advised to defend the matter. The amount of the potential claim is R10289.95

The municipality allegedly removed fencing which served as markings for plumbing and building material of ERF 172. The matter has been referred to legal advisor, awaiting report. The amount of the potential claim is R56 000

A complaint had been lodged with the municipality on intent to award for construction of Ematshenezimpisi Road Rehabilitation. The matter is being dealt with in terms of SCM Regulations, where an independent person has been appointed to resolve the matter. The amount of the potential claim is R 1 703 912.46

A complaint had been lodged with the municipality on intent to award for construction of Bangamanzi-Mfongosi Link Road. The matter is being dealt with in terms of SCM Regulations, where an independent person has been appointed to resolve the matter. The amount of the potential claim is R3 786 829.20

A complaint had been lodged with the municipality on intent to award for construction of Mashushu Link Road Rehabilitation. The matter is being dealt with in terms of SCM Regulations, where an independent person has been appointed to resolve the matter. The amount of the potential claim is R 1 089 201.60

### 31. Irregular expenditure

Opening balance	1 665 893	2 250 675
Add: Irregular Expenditure - current year	35 285 942	29 817 538
Add: Fruitless and wasteful expenditure	7 803	22 651
Less: Amounts condoned	(36 959 638)	(30 443 509)
Transfer to receivables for recovery - not condoned	-	18 535
	-	<b>1 665 890</b>

### 32. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance	33 222 481	27 335 952
--	------------	------------

FINANCIAL PERFORMANCE	BUDGET	ACTUAL OUTCOME	VARIANCE	ACTUAL OUTCOME AS A % OF BUDGET	EXPLANATIONS
	R	R	R	%	
Property Rates	1 800 660.00	1 667 159.00	133 501.00	93	
Service Charges	8 566 680.00	7 192 797.00	1 373 883.00	84	
Interest income	1 308 770.00	1 587 603.57	-278 833.57	121	
Government Grants & Subsidies	102 883 300.00	89 028 206.00	13 855 094.00	87	
Other Revenue	1 621 730.00	3 078 358.00	-1 456 628.00	190	
<b>TOTAL REVENUE</b>	<b>116 181 140.00</b>	<b>102 554 123.57</b>	<b>13 627 016.43</b>		
Employee Related Costs	29 039 738.00	15 803 629.00	13 236 109.00	54	
Remuneration of Councillors	4 981 097.00	5 639 495.00	-658 398.00	113	
Depreciation, Impairment & Amortisation	2 465 286.00	4 313 625.00	-1 848 339.00	175	
Finance Costs	72 859.00	-	72 859.00	-	
Bulk Purchases	7 208 534.00	8 030 526.47	-821 992.47	111	
Grants & Subsidies Expenditure	50 896 841.79	3 415 108.00	47 481 733.79	7	
Other Expenditure	21 516 784.21	32 129 278.53	-10 612 494.32	149	
<b>TOTAL EXPENDITURE</b>	<b>116 181 140.00</b>	<b>69 331 662.00</b>	<b>46 849 478.00</b>		
<b>SURPLUS/DEFICIT</b>	<b>-</b>	<b>33 222 461.57</b>	<b>-33 222 461.57</b>	<b>-</b>	



**Nkandla Municipality**  
**Appendix F**  
**For the Year ended 30 June 2013**

<b>No</b>	<b>Grant Type</b>	<b>Balance as at 1/7/2012</b>	<b>Income 2012/2013</b>	<b>Expenditure 2012/2013</b>	<b>Balance as at 30/6/2013</b>
1	Financial Management Grant	201 224	1 500 000	1 268 869.01	432 355
					-
2	Municipal Infrastructure Grant	6 824 859.00	21 698 000.00	13 536 660.24	14 986 199
					-
3	Municipal Systems Improvement Grant	41 012.00	800 000.00	835 380.28	5 632
4	Electrification Grant	14 576 659.00	20 000 000.00	24 813 234.77	9 763 424
					-
5	Small Town Rehabilitation Grant	5 087 509	-	2 616 366	2 471 143
6	KZN Sport and Recreation Grant	1 282 103	1 200 000	1 058 310	1 423 793
7	Cybercadet Grant	188 653	210 000	127 280	271 373
8	Qedisimo Projects	2 750 000	-	215 116	2 534 884
9	Facility Grant	750 000.00	-	-	750 000
10	Library Grant	50 171.00	490 000.00	341 891.73	198 279
11	LG SETA Grant	-	97 263.26	-	97 263
12	EPWP Grant	-	1 000 000	992 098	7 902
13	E Learning Grant	167 230			167 230
	<b>Balance at 30/6/2013</b>	<b>31 919 420</b>	<b>46 995 263</b>	<b>45 805 206</b>	<b>33 109 477</b>